



**COMMONWEALTH OF PUERTO RICO  
DEPARTMENT OF LABOR & HUMAN RESOURCES**

Hon. Román M. Velasco González  
Secretary

November 21, 2005

Ms. Emily DeRocco  
Assistant Secretary  
United States Department of Labor  
200 Constitution Ave. N.W.  
Room S2307  
Washington, D.C. 20210

Dear Ms. DeRocco:

Enclosed please find Puerto Rico's waiver request to allow the commonwealth to transfer a percentage of the State Rapid Response funds to the Governor's Reserve fund. This action will enable Puerto Rico, through the use of only one funding stream, an Incumbent Worker Training Project.

Pharmaceutical and electronic industries figure among the top job generating activities in the Island's economy. These industries are high demand, high growth requiring continuous training of its employees in order to remain competitive in the labor market.

For the past four years Puerto Rico has distributed the State Rapid Response Funds through services provided by the state and the 15 Local Areas. This is an ineffective process, inconvenient to businesses requesting services, reducing the possibilities for incumbent workers to receive services.

The waiver approval will enhance the services provided to incumbent workers and by no means will affect the services provided by the state or the Local Areas to Dislocated Workers or formula allocations for carrying out WIA Title IB adult, youth and dislocated workers activities.

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If you need any questions about the waiver request, please contact Mr. Joe Alvarez, Executive Director of the Human Resources and Occupational Development Council, at (787) 754-5504 ext. 246 or [jalvarez@cdorh.org](mailto:jalvarez@cdorh.org).

Thanks for your attention to our request.

Sincerely,

A handwritten signature in black ink, appearing to read "Roman Velasco". The signature is fluid and cursive, with a long horizontal stroke extending to the right.

Roman Velasco González  
Secretary of Labor

c: William Carlson  
Regional Adm. Boston

## COMMONWEALTH OF PUERTO RICO

### Workforce Investment Act (WIA) Waiver Request

TO ALLOW THE COMMONWEALTH OF PUERTO RICO TO TRANSFER UP TO 25 PERCENT OF THE STATE SET ASIDE RAPID RESPONSE FUNDS TO THE GOVERNOR'S RESERVE FUND TO INVEST IN INCUMBENT WORKERS TRAINING

- (1) Statutory requirements for which a waiver is requested, and goals that the state intends to achieve as a result of the waiver and how those goals relate to the strategic plan goals.**

#### Introduction

The WIA system in Puerto Rico faces a continuous and increasing demand from the private sector requesting training for incumbent workers. Mainly, these requests rise from the pharmaceutical and electronic industries, at the top of the job generating activity in the private sector of the Island's economy. Primarily, training needs for incumbent workers is attributed to the constant changes in manufacturing technologies and development of new products, requiring upgrading of skills of employees in both, production and its corresponding quality control systems.

Several examples of this situation are:

**“Merck Inaugurates \$300 million plant in Barceloneta”** (The San Juan Star, November 17, 2005, page B-1)

“Gov. Acevedo Vilá inaugurated Wednesday a \$300 million expansion of Merck Sharp & Dohme's chemical plant in Barceloneta, allowing the facility to triple its capacity to produce one of the active ingredients of Vytarin, a medication that treats cholesterol.

The Governor said Merck's Arecibo Plant was also chosen to design, develop and implement a pilot manufacturing program that will serve as a model for the company's worldwide operations.”

**Essilor Industries, Inc.**, a European company with operations in Ponce, Puerto Rico, developed a new technology for the production of progressive adjustment optical lenses. This plant employs over 300 workers and needed to retrain its production line, quality control and safety control personnel in the new technology. This was a costly operation made feasible through WIA assistance.

**Bumble Bee, Inc.** is a Tuna processing and packing plant operating in Mayagüez Puerto Rico. Its 280 workers were at risk of losing their jobs when the plant announced closing of operations. During this process, COSTCO Wholesale approached the company willing to purchase all albacore tuna production but following the processing specifications. Bumble Bee acquired the technology required to comply with the specifications and with

WIA assistance its workers were trained and the company was able to remain in the market.

Puerto Rico wants to establish a special fund under the Governor's Reserve Fund for the development on an Incumbent Workers Training Program to address the needs of this sector of the economy. Due to the restrictions of the state Rapid Response funds, they cannot be used for the training of incumbent workers, although these type of training may prevent plant closings and mass layoffs.

Statutory and regulatory requirements for which a waiver is requested.

Puerto Rico request a waiver of CFR 665.320 (d)(2), for funds reserved for allowable state activities under WIA Sec. 133 (a) (2).to allow the transfer of up to 25% the state set-aside Rapid Response funds to the Governor's Reserve Funds. The transfer will create a single fund for the Incumbent Workers Training Program in agreement with the rules established under WIA Sec. 128 (a)(2). The transfer of funds will be for allowable activities only. The transfer will not affect the activities developed by the state or local areas for dislocated workers or local formula allocations.

Goals that the state intends to achieve as a result of the waiver and how those goals are related to the strategic plan goals.

The overall goal of the Incumbent Workers Training Fund is to prevent mass layoffs and plant migration due to excessive cost of training and to maintain a responsive workforce competitive in the global market.

The waiver will support the feasibility of providing the private market a flexible mechanism to upgrade their employee skills and strengthen market positioning.

The following Goals of the Strategic Plan are supported by the waiver:

Educational Sector:

- Develop alliances and partnerships between the private sector, the public educational system and the universities and community colleges to develop pilot projects directed to identify and provide alternatives for skill gaps.
- Special attention to incumbent workers in high growth industries to upgrade skills, ensures competitiveness through on the job training, and customizes training programs.
- The Rapid Response functions is being promoted not only as a tool for providing services to workers affected by plant closings or massive layoff but also as an alternative for the business sector to avert a possible closing and improve the skills of their workers that would lead to the company being more productive and competitive.

Some rapid response services seen as proactive and business-friendly are:

- Develop strategies for addressing dislocation events that ensure rapid access to allowable assistance
- Develop and maintain mechanism for the regular exchange of information relating to available adjustment assistances
- Participate in capacity building activities
- Incumbent worker training
- Linkages with economic development activities including the Federal Department of Commerce Program and available State and local business retention and recruitment activities

#### Manufacturing

- Development of financial mechanisms to large-scale manufacturing projects such as the ones developed by the pharmaceutical industry for the expansion of operations in Puerto Rico, providing the Commonwealth the necessary tools to attract foreign investment.

#### *The Economy of Information Impulse; R2D2: Development of Science and Technology*

Objective: Maintain and increase our competitive advantages in manufacturing and exportation of pharmaceuticals and other high technology by-products in a front line sector of the economy. Investment of \$1,000 millions from public, private, and federal sources during the next four years in research and analysis.

#### Entrepreneurial Innovations

- Support the establishment and expansion of technological clusters by matching public, academic, and public resources to enhance scientific activity.

#### Maximize our fiscal autonomy

The Commonwealth of Puerto Rico has the legal and fiscal tools for granting tax incentives to promote investment of local and foreign capital encouraging the creation of new jobs. Over 20 legislative incentives pieces have been approved, contributing to the creation of new jobs. Its results are positive and are being evaluated by the Secretary of Economic Development and Commerce. These laws are targeted to strengthen the development of the manufacturing, tourism, commerce, construction, housing, cooperatives, and agricultural sectors. New federal incentives are impelled to stimulate the competitiveness of Puerto Rico as investment destiny.

### Lower the cost of making business in Puerto Rico.

To assure our capacity to compete with other regions or countries, public policy was approved to reduce the cost of making businesses and simultaneously, protect labor agreements and the environment. Strategies were developed to reduce or to stabilize the energy costs, which include the implementation of a protection mechanism to price fluctuations (hedging) of products derived from petroleum, the direct petroleum purchase from country to country, and reduction of the operational costs of the Authority; (these saving will be transmitted to the clients). Also in its final stage is the approval of a new regulation offering a reduced charge of energy consumption for new or expanding industries.

### Establishment of high technology conglomerates or “clusters.”

A "cluster" is an interrelated conglomerate of companies, including, from technological research to storage and distribution, where the private sector join efforts with the government and the academic sector to promote the establishment of low, intermediate and high technology. In addition, the Law (# 145) of Pioneering Industries was approved to offers tax benefits to innovative technology companies requiring employees with a high level of scientific, technological, and managerial skills. Five conglomerates have been established: medical pharmaceuticals, biotechnology, instruments, communication and technological information, and health services.

To insure its position as one of the premier manufacturing locations in the world and facilitate its further development, Puerto Rico has identified its top five industry groups or clusters:

- Pharmaceutical
- Medical Devices
- Biotechnology
- Electronics
- Contact Centers

### Waiver Period

Puerto Rico request that the waiver be effective from January 2006 through January 2008.

- (2) Actions the state has undertaken to remove state or local statutory or regulatory barriers.

There are no state or local statutory or regulatory barriers to the transfer of the state set-aside funds.

- (3) The goals of the waiver and expected programmatic outcomes if the request is granted.

The waiver will facilitate and improve services available to the private sector in need to maintain a competitive labor force. By combining funds in one program services will be expedite according to the business need by not having to wait for long bureaucratic transaction which might affect their production timeliness. Also the waiver will increase financing training in new emerging fields such as biotechnology.

Specify how success and or progress on outcomes will be measured or determined, including how the baseline will be established and what data source will be used.

The success of the project will be measured by the increase of incumbent workers trained since all project funds will be devoted to incumbent workers. Another indicator to be evaluated is the reduction in mass layoffs or plant closings before and after project initiation. Also job retention and increase in salary after training are indicators to be measured by the project. We expect an approximate increase of 15% in the incumbent workers to be trained through the project.

In fiscal terms we will be able to compare average cost per incumbent workers training for the different type of industries. In management we will obtain tendencies of the training demand by type of industry and high growth occupations within the industries requesting incumbent workers training.

- (4) Description of the individuals affected by the waiver

The special fund will support the needs of incumbent workers (currently employed worker) in an existing non-pubic business in Puerto Rico.

- (5) Processes used to:

Monitor the Progress in implementing the waiver

The waiver implementation is an administrative procedure of simply transferring the funds.

The monitoring Unit of the Human Resources and Occupational Development Council (HRODC) will follow-up on the measures and parameters established for the project which will be implemented and coordinated by the Special Projects Unit of the CDORH. All applicable procedures delineated by the Monitoring Unit will be used in the project evaluation.

Provide notice to any local board affected by the waiver

All Local Areas will be notified in writing about the waiver approval and the availability of funds for incumbent workers training. Instruction will be provided for referrals to the fund.

Provide any local board affected by the waiver an opportunity to comment on the request

The HRODC holds quarterly meetings with the Executive Directors and Local Board Presidents. The next meeting will be held next December and the Waiver Request is one of the subjects in the Agenda. A 30 days period will be given to the Local Boards for comments.